

Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

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Top Story

African Development Bank funds public/private forestry project

The African Development Bank (AfDB) is joining with private sector investors to restore degraded forest reserves and double the area of sustainable forest plantations in Ghana.

AfDB Director for Private Sector Development, Kodeidja Diallo, said "This project is the Bank's first direct intervention in forestry through a private sector window and will serve as a pilot in setting the pace for engaging the private sector in sustainable forest plantation development."

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Central and West Africa

Opportunities in Indian log market

Producers report that as demand for logs is only moderate they have little opportunity to seek higher prices, this despite buyers for the China slowly but steadily coming back into the market for African logs.

Indian log importers are very active in the market for tropical hardwoods but West and Central African exporters have, so far, not followed up on the opportunity to enter this expanding market.

Gheombi doing well against Malaysian MLH

Okoume and meranti sawnwood compete for market share particularly in the South African and Middle East markets. In recent weeks meranti has been gaining market share in South Africa but in the active Middle East markets business is said to be brisk for both timbers.

Middle East demand is focused on the luxury housing sector which requires high grade sawnwood and mouldings.

In the lower end uses applications shippers in West and Central Africa are finding a ready market for mixed gheombi (Sindoropsis le-testui J.Leon) which it is said to be preferable to Malaysian MLH (mixed light hardwoods).

For details on gheombi see:

<http://www.tropicaltimber.info/specie/gheombi-sindoropsis-le-testui/>

Sipo, sapele, padouk and ayous prices under pressure

Buyers in the European markets are not yet fully committed to their fourth quarter purchase which has meant prices for their favourites, sipo and sapele, have not moved for a month. Analysts say there are no clear signs of a recovery in demand for sipo and sapele sawnwood.

Padouk sawnwood is still out favour in European and Indian markets and prices will be under pressure unless demand picks up soon.

While demand for ayous in the Italian market is currently very quiet, prices remain stable. It is anticipated that demand in Italy will recover towards end of the year.

Overall, West and Central African producers report moderate business in terms of volume and are content as prices are holding as they have done for most of this year.

Log Export Prices

West African logs, FOB	Euro per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	240	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	190
Belli	235	235	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS) (China only)	210	190	160
Moabi	335	305	225
Movingui	210	210	160
Niove	160	160	-
Okan	250	210	-
Padouk	220	290	225
Sapele	300	190	220
Sipo/Utile	300	290	255
Tali	320	310	-

Sawnwood Export Prices

West African sawnwood, FOB	Euro per m ³
Ayous FAS GMS	410
Bilinga FAS GMS	520
Okoumé FAS GMS	340
Merchantable	270
Std/Btr GMS	290
Sipo FAS GMS	570↓
FAS fixed sizes	570↓
FAS scantlings	590↑
Padouk FAS GMS	865↓
FAS scantlings	930↓
Strips	640↓
Sapele FAS Spanish sizes	540↑
FAS scantlings	540↓
Iroko FAS GMS	600
Scantlings	700
Strips	440
Khaya FAS GMS	450
FAS fixed	460
Moabi FAS GMS	610
Scantlings	630
Movingui FAS GMS	420

Ghana

First African Development Bank funds for PPP forestry project

The African Development Bank (AfDB) is joining with private sector investors for a project to restore degraded forest reserves and double the area of sustainable forest plantations.

A press release from the AfDB says “This agreement is a first-of-its-kind Public-Private Partnership (PPP) in its forest sector and is backed by a US\$10 million concessional loan from the Climate Investment Funds' Forest Investment Program (CIF FIP). It is also supplemented by US\$14 million in co-financing from the AfDB.

The press release quotes the AfDB Director for Private Sector Department, Kodeidja Diallo, as saying “This project is the Bank's first direct intervention in forestry through a private sector window and will serve as a pilot in setting the pace for engaging the private sector in sustainable forest plantation management.

The concept is replicable and demonstrates how a close collaboration between the public and private sectors can contribute in transforming the future outlook for private sector participation in forestry.

Reacting to the Board Approval and on behalf of the project sponsors, Paul Hol, Executive Director of Form International, stated that “this is a breakthrough for private investments in forestry on the continent.

I believe that this project and collaboration between AfDB and Form Ghana Ltd can be a very important step to enable the expansion of large scale reforestation and landscape restoration projects in Africa. In this way it can be an important front running project for the African Forest Landscape Restoration Initiative (AFR100) from the World Resources Institute (WRI) and NEPAD which aims at restoring 100 million ha of land in Africa by the year 2030”.

The Form Ghana reforestation project will establish a forest plantation in areas that used to be productive semi-deciduous forest reserves but that have been severely degraded.

See <http://www.afdb.org/en/news-and-events/article/afdb-approves-usd-14-million-for-its-first-private-sector-direct-investment-in-restoration-of-degraded-forests-through-sustainable-forest-plantations-in-ghana-15955/>

See also: <http://www.forminternational.nl/portfolio-item/form-ghana/>

Stakeholders urged to help protect forest resources

The Minister of Lands and Natural Resources, Mr. Nii Osah Mills, has called on stakeholders in the industry to help protect the Forest and Wildlife resources of the country.

At a press conference the minister said the natural resources of the country are under intense pressure from farming, illegal mining and illegal chainsaw felling.

The Minister reported on the success of the Rapid Response Unit (RRU) within the Forestry Commission (FC), which operates to deal with illegal activities in the forest. The RRU was established to augment the Military and Police Task forces to check, monitor and destroy all unscrupulous practices which are key threats to closed and open forests across the country.

Mr. Mills said his ministry was well aware of the many challenges confronting the forestry sector such as inadequate financing sources, the continuous depletion of both natural and plantation resources and inadequate logistics.

Boule Export prices

	Euro per m ³
Black Ofram	380
Black Ofram Kiln dry	444
Niangon	499
Niangon Kiln dry	571

Export Rotary Veneer Prices

Rotary Veneer, FOB	Euro per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	337	400
Chenchen	416	534
Ogea	478	604
Essa	492	561
Ofram	350	406

NB: Thickness below 1mm attract a Premium of 5%

Export Sliced Veneer Prices

Sliced Veneer, FOB	Euro per sq. m	
	Face	Backing
Afrormosia	2.00	0.91
Asanfina	3.00	0.57
Avodire	1.60	0.34
Chenchen	1.40	1.20
Mahogany	1.80	0.82
Makore	1.80	0.55
Odum	1.13	0.40

Export Plywood Prices

Plywood, FOB	Euro per m ³		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	415	590	641
6mm	487	535	610
9mm	407	450	613
12mm	364	463	480
15mm	400	410	430
18mm	280	417	370

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

Export Sawnwood Prices

Ghana Sawnwood, FOB	Euro per m ³	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	492	564
Ceiba	297	323
Dahoma	379	429
Edinam (mixed redwood)	520	599
Emeri	480	529
African mahogany (Ivorenensis)	848	993
Makore	730	820
Niangon	500	1002
Odum	755	869
Sapele	680	764
Wawa 1C & Select	363	449

South Africa

Truss makers threaten to turn to steel

The South African magazine Sawmilling South Africa reports that September sales of structural timber sales are still strong and this can be judged from stock levels at most mills.

It is reported that some mills are down to just a few days stock and this, although good on the one hand, is not good on the other as merchants and fabricators are experiencing frustration as they cannot get the required dimensions for their roof truss plants.

Some end-users are even talking about turn to steel if the situation does not improve.

While this was an empty threat years ago, now with the development of light roles steel components, the competition from alternatives is a serious threat to our industry.

The editor of the magazine writes “Sawmillers need to sit up and take note of the situation and try to address these shortages. Light weight steel is already making serious inroads in to the truss market and we must not let this continue under our noses.”

Timber engineered product awards

The Institute for Timber Construction (ITC-SA) recently showcased and rewarded top class workmanship in the fields of decking, timber frame construction and roofing.

Sawmilling South Africa reports; “Four entries were received in the Alterations and Additions category ranging from economical extensions to full-scale remodelling.

The Structures Smaller than 120 sq.m. category saw four entries varying from a ‘granny flat’ to a beautiful starter home all of which clearly demonstrated a high standard of skills and finishes.

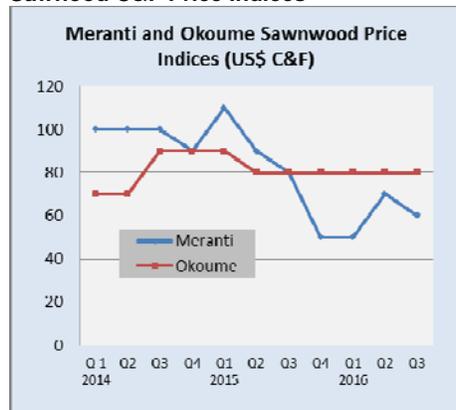
Five entries were received for the Structures Larger than 120 sq.m, but below 220 sq.m. These projects ranged from beach homes to those built on particularly sensitive sites, showcasing the versatility and gentle approach to construction made possible with timber frame.

The Structures Larger than 220 sq.m category saw three entries, which all illustrated a variety of styles and quality finishes capable of satisfying the most discerning taste.

Eight entries were received for the new Roofing category, which encompasses commercial and residential roofs as well as exposed trusses. All entries demonstrated the inherent versatility timber lends to the design, fabrication and erection of roofs across a broad spectrum of building styles.”

For more see: <http://www.timber.co.za/>

Sawwood C&F Price Indices



Malaysia

Increased first half 2016 wood product exports

The Malaysian Timber Industry Board (MTIB) has released export statistics for the first half of 2016. Between January and June Malaysian exports of wood products were valued at RM10.923 billion up 4.4% year on year.

First half 2016 export values

- Furniture RM3.603 billion
- Plywood RM2.243 billion
- Sawnwood RM 1.633 billion
- Logs RM 888.4 million
- MDF RM 615.9 million
- Builders' carpentry and joinery RM 579.1 million
- Mouldings RM 423.9 million
- Particle/chipboard RM 174.7 million
- Veneer RM 167.8 million
- Others RM 593.6 million

Guidelines for Frontline Customs Officers

A National Workshop on Developing Timber Trade Guidelines for Frontline Customs Officers was held in Putrajaya, Malaysia.

This was jointly organised by the Ministry of Plantation Industries and Commodities, the Malaysian Timber Industry Board and The Wildlife Trade Monitoring Network (TRAFFIC) in collaboration with the World Customs Organization (WCO) and ITTO.

The WCO and ITTO recognise there is a lack of specific guidelines and reference material on wood products for frontline customs and other border officials so this workshop aimed to to the first step in developing Timber Trade Guidelines for customs officers.

The WCO signed a Memorandum of Understanding (MOU) with TRAFFIC to assist in developing draft Timber Trade Guidelines and funding was provided by ITTO.

The purpose of the guidelines is to assist customs officers validate and verify the classification and legality of wood products and is part of a phased approach by WCO towards enhancing the capacity of frontline customs officers in their daily operational work.

Participants were informed that the guidelines will utilise Malaysia’s legislation, systems and procedures in term of the legality of timber trade as a pilot project.

Occupational Safety and Health (OSH)

An OSH information campaign was recently organised by the Sarawak Timber Industry Development Corporation (STIDC) to cater for the wood based industry in Sarawak.

The campaign served as a platform to promote OSH in the workplace. Besides increasing the understanding of the Occupational Safety and Health Act 1994, the workshop aimed to instill a safe and healthy work culture amongst managers and workers.

As a follow up to the campaign OSH audits were conducted in logging camps to assess OSH practices.. STIDC General Manager, M Sarudu Hoklai, has said that the safety and health of employees are prerequisites for forest certification.

Sabah export data for first seven months 2016

Product	2106 Volume cu.m	2016 Value (RM)	2015 Volume cu.m
Sawnwood	98,471	186,256,076	121,849
Plywood	321,141	594,691,202	325,705
Veneer	37,577	67,112,099	34,782
Moulding	5,440	24,468,432	8,127
Laminboard	22,932	48,726,594	21,889

Source: Sabah Dept. of Statistics

India marketing mission report

In August this year the Malaysian Timber Council (MTC) mounted a marketing mission to Chennai and Bengaluru.

The rationale for this mission, says the MTC, hinged on the assessment that the Indian market offers many advantages to Malaysian exporters as India traditionally prefers tropical hardwoods and the proximity between the two countries is advantageous in terms of transportation cost.

In a press release the MTC reported the seminars as well as business to business (B2B) sessions were held in Chennai and Bengaluru. The B2B meeting in Chennai attracted 41 buyers from 37 companies; while 106 buyers from 80 companies attended the B2B sessions in Bengaluru.

Buyers in Bengaluru came from 10 states and 16 cities in India, namely; North (Delhi, Uttar Pradesh, Haryana), South (Karnataka, Kerala, Telangana and Tamil Nadu), West (Maharashtra, Gujarat) and East (West Bengal). The presence of these buyers indicates how keen they are to see what Malaysia has to offer.

For more see: <http://mtc.com.my/releases/>

Indonesia

Interest rate cut to boost credit growth

Bank Indonesia lowered interest rates at its last meeting saying the stable domestic economy has allowed the Bank to adopt a looser monetary policy which will pump money into the market and should provide for accelerated economic growth despite the uncertain global economic outlook.

This lower interest rate is expected to boost credit growth in the private sector. Rising credit growth as a result of business expansion and higher household consumption should boost overall economic growth.

Community forest management target on track

The success of Indonesia's community managed forests was showcased recently in Jakarta. This comes a year after the launch of the government's target of allocating 12.5 million hectares of forests to be managed by communities through social forestry schemes.

The community management target is part of the five year plan (2015-2019) which aims at providing for 2.5 million hectares annually of forests to be under community management. Expectations are high for this scheme as it is seen as providing for better management, solving tenure issues and tackling rural poverty.

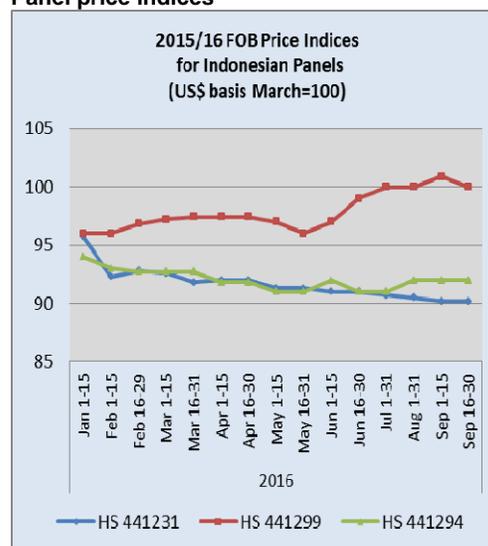
Post-Brexit trade to be boosted

Indonesian Ambassador to the UK, Rizal Sukma, is working with small and medium sized companies in the UK which are showing interest in a wide range of products, including wooden items, produced by SMEs in Indonesia. SMEs play a vital role in the Indonesian economy contributing close to 58% of Indonesia's GDP.

Trade between Indonesia and the UK is rather small with Indonesia's exports to the UK amounting to about US\$1.5 billion, a fraction of Indonesia's total exports of over US\$160 billion. On the other hand Indonesian imports from the UK were only US\$800 million last year.

To support the initiative by the Ambassador the Indonesian Chamber of Commerce and Industry is putting together a plan for "business to business" matching as the first step to expanding commercial contacts.

Panel price indices



Data source: License Information Unit in <http://silk.dephut.go.id/>

Renminbi to be promoted for trade and investment

The Bank of China (BOC) has said it is ready to broaden the usage of renminbi (RMB) in its trade and investment activities in Indonesia in line with Beijing's efforts to internationalise the Chinese currency.

Speaking recently the Bank of China Jakarta manager, Zhang Min, indicated that the Bank is ready to broaden the

use of the renminbi (RMB) in its trade and investment activities in Indonesia. A wider use of the RMB in trade and investments, said Zhang, would reduce the risk of losses from exchange rate fluctuations.

Myanmar

Help at hand for VPA negotiations

Myanmar's State Counsellor, Daw Aung San Suu Kyi, recently met the UK Prime Minister and discussed her plans for rehabilitating the forests in Myanmar.

The UK offered assistance to Myanmar with VPA negotiations and the Palladium Group will be contracted to help prepare for and conduct negotiation. Dr. Kerstin Duell will be the chief facilitator and the assistance from the UK will not be affected by the UK decision to exit the EU.

Call to streamline export procedures

Myanmar's Minister for Commerce has said the country is facing difficulties in promoting exports because of burdensome red tape, excessive regulation and poor coordination between the many departments that are involved in processing documents for export. The minister said if the trade deficit is to be reduced then the efficiency of export processing must be improved.

More police to guard Forest Rangers against attack

The Myanmar Police Force has announced that an additional 215 officers will be assigned to protect forest rangers from assault by illegal loggers. Attacks on forest rangers were common in the past but the number of incidents has fallen over the past month. In recent week some 800 tons of illegal timber was confiscated along the Myanmar/China border.

Revamped investment law should boost investor confidence

As hopes rise for the removal of international sanctions Myanmar is preparing to restructure the laws covering investment. The plan is to merge the Foreign Investment law and the Myanmar National Investment Law which should provide more protection for overseas investors.

The Minister of National Planning and Finance has reported that the pace inward finance has slowed as potential investors await the outcome of the law revision. Over the past five months under the new Government FDI amounted to around US\$2 billion.

Latest teak log auction prices

Grade	H.tons	Avg US\$/H.ton
SG-2	-	-
SG-4	24	3,740
SG-5	35	2,565
SG-6	30	2,375
SG-7	41	1,660

India

CenturyPly cancel plans for MDF production in Vietnam

The July announcement from the Indian government that an anti-dumping duty will be imposed on MDF imported from Vietnam has caused CenturyPly India to reassess its plans for investment in Vietnam.

The duty is said to amount to over US\$60 per cubic metre, roughly equivalent to 25 percent of the CIF price. At this level production in Vietnam for the Indian market would not be profitable according to CenturyPly so a decision has been taken to divest its stake in the Singapore subsidiary, Innovation Pacific, and exit from its MDF production plan in Vietnam.

On the domestic front in India plans have been drawn up for a new MDF plant in Hoshiarpur, Punjab which, it is said, will be the largest plant in India.

CenturyPly has investment heavily in facilities in Myanmar and Laos. In Myanmar they manufacture veneer and in Laos the company has a local partner to also produce veneer.

A spokesperson from CenturyPly said they are very eagerly waiting for the implementation of the new goods and service tax as this could boost market opportunities and should lift profits.

Importers complain log fumigation regulations out of step with international standards

Timber associations across India have petitioned the government regarding saying that the recent plant quarantine regulations have become major problem for Indian importers.

The current regulation stipulates that logs need to be fumigated with methyl bromide prior to export from the country of origin but international bodies such as the International Plant Protection Convention, the United Nations Environment Programme and the Montreal Protocol classify methyl bromide as hazardous for health.

The petition says as many countries prohibit the use of this chemical as such they are unable to fulfill the requirement of Indian plant quarantine regulations and that alternative and internationally accepted treatments must be adopted.

India imports a huge quantity of logs to meet the domestic requirements and until recently were importing from Myanmar, Laos, Vietnam, Malaysia, Thailand etc., but since these countries have reduced or banned log exports India relies more heavily on log imports from the EU, the US, Latin America and Africa where the use of methyl bromide is restricted.

Plantation teak prices

Demand for teak has improved and some shippers have changed the prices for small size logs.

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	277-812
Brazil squares	370-556
Cameroon logs	405-616
Colombia logs	258-982
Congo D. R. logs	450-761
Costa Rica logs	250-780
Côte d'Ivoire logs	289-756
Ecuador squares	258-616
El-Salvador logs	320-732
Ghana logs	276-434
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	365-460
Panama logs	335-475
PNG logs	443-575
Sudan logs	317-720
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends on quality, length and average girth of logs.

Prices from the three new plantation teak log suppliers remain unchanged at: Taiwan P.o.C (US\$1036 to 2126 per cu.m C and F), China (US\$855 to 1118 per cu.m C and F) and Honduras (US\$471 to US\$539 per cu.m C and F).

Prices for locally sawn imported hardwoods

Sawnwood	Rs per cu.ft
Merbau	2400-2650
Balau	1750-1950
Resak	1250-1450
Kapur	1750-1890
Kempas	1250-1700
Red Meranti	1200-1350
Radiata pine AD	850-950
Whitewood	850-950

Price range depends mainly on length and cross section

Myanmar teak fitches resawn in India

Domestic demand continues to firm but has not yet impacted pricing.

Sawnwood (Ex-mill)	Rs. per cu.ft
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-15000
Teak A grade	6500-7500
Teak B grade	5000-5500
Plantation Teak FAS grade	4000-4500

Price range depends mainly on length and cross section

Prices for imported sawnwood

Demand for imported sawnwood remain weak such that there are no opportunities for price increases.

Sawnwood, (Ex-warehouse) (KD)	Rs per ft ³
Beech	1350-1450
Sycamore	1500-1650
Red oak	1600-1750
White Oak	2100-2150
American Walnut	4000-4400
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1650-1850
Douglas Fir	1350-1450

Price variations depend mainly on length and cross section

Prices for WBP Marine grade plywood from domestic mills

Increased investment in plywood production has created a situation of over-supply which is impacting sales volumes, pricing and the bottom-line of manufacturers.

The building and construction sectors are active but the glut of standard panels offers no opportunity for manufacturers to achieve better prices which are long over due.

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	41.55
6mm	55.00
9mm	70.00
12mm	86.00
15mm	114.50
18mm	120.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.21.00	Rs.31.00
6mm	Rs.31.80	Rs.40.00
9mm	Rs.40.00	Rs.48.50
12mm	Rs.49.00	Rs.58.50
15mm	Rs.59.50	RS.71.50
19mm	Rs.67.80	Rs.80.00
5mm Flexible ply	Rs.42.00	

Brazil

August export up-date

In August 2016, Brazilian exports of wood products (except pulp and paper) increased 21% in value compared to August 2015, from US\$216.0 million to US\$262.0 million.

Sawnwood export volumes and value rise in August

August pine sawnwood exports rose 36.0% year on year from US\$26.1 million in August 2015 to US\$35.5 million this year. The volume of pine sawnwood exports rose by around 50% over the same period, from 118,700 cu.m to 178,500 cu.m.

Tropical sawnwood exports also jumped in August rising 33% from 23,200 cu.m in August 2015 to 30,900 cu.m. At the same time the value of exports increased 32% from US\$11.4 million last August to US\$15.0 million in August this year.

Mixed performance from plywood exporters

The value of August 2016 pine plywood exports dropped compared to August 2015 from US\$38.9 million to US\$33.1 million but the volume of exports jumped 42%, from 103,900 cu.m to 148,000 cu.m, over the same period.

However, exports of tropical plywood increased by almost 91% in August this year from 7,500 cu.m in August 2015 to 14,300 cu.m this year. At the same time the value of exports rose around 56%.

First half 2016 tough for furniture makers

While August furniture exports increased by around 13%, this year has been tough for furniture manufacturers. The contraction of the Brazilian economy has impacted all sectors and the furniture industries are no exception.

According to a report from the Market Intelligence Institute (IEMI), between January and June this year Brazilian furniture production, in terms of number of pieces produced, was down almost 15% compared to the first half of 2015.

Over the same period furniture imports dropped around 13%. Perhaps of most concern is the indication from IEMI that productivity in the furniture manufacturing sector worsened.

To address the challenge of weak demand the Furniture Industry Association of Rio Grande do Sul (MOVERGS) says the solution is to maintain investment in advanced technologies and pay more attention to product design and market diversification.

Strategic export markets identified by furniture sector panel

The Brazilian Furniture Industry Association (ABIMÓVEL) organized a panel discussion focused on the challenges in the furniture manufacturing sector at its recent Furniture National Congress.

One major concern voiced was the trend in demand level in the US and China and the impact of this on the global economy.

The panel attempted to identify strategic export markets after analysing the potential in various countries. The panel concluded that for Chile and Mexico efforts should be focused on resuming trade, for Colombia, the United States and Panama the panel suggested there is a need to strengthen trade relationships.

For the United Arab Emirates and the United Kingdom the panel concluded these markets were beginning to be aware of Brazilian furniture.

The Brazilian Agency for Industrial Development (ABDI) contributed to the panel discussion and said the agency has a great interest in the furniture industry and would encourage the adoption of advanced manufacturing and management technologies to secure greater market access.

Export "Brazilian-ness" to increase international market share

In the ten years since 2005 Brazilian timber exports have almost halved (-44%) while imports have increased dramatically. This, and the fact that Brazil slipped from the 12th to 32nd place in the ranking among exporting countries, has been reported by IEMI.

Prospects for a short term recovery in furniture sales are not good but IEMI is forecasting that global and domestic demand should begin a recovery towards year end but it is unlikely that the furniture sector will see production rise to

the 476 million pieces produced in 2013. IEMI has forecast that it could be until 2022 that such output could be once again attained.

In offering a solution for increasing exports IEMI suggests the furniture industries could focus on innovation and characteristics that differentiate Brazilian products from those from other countries, i.e. increase the “Brazilian-ness” of products.

This could involve using the wide-range of native timbers along with innovative designs to gain competitive advantage in the international market.

Forestry sector has a role in the Paris carbon emissions agreement

Brazil ratified the Paris Agreement on climate change establishing the country's commitment to reduce carbon emission and according to the Brazilian Tree Industry (IBA), the Brazilian plantation sector has a role in meeting Brazil's goals.

As a totally renewable resource it is estimated by IBA that the 7.8 million hectares of forest plantation areas in Brazil are responsible for stock of approximately 1.7 billion tonnes carbon equivalent.

In addition to carbon removal and carbon stocks in tree plantations the sector, according to IBA generates and maintains carbon reserves of approximately 2.48 billion tonnes of CO₂eq in protected areas.

IBA has suggested that policies that recognize biomass as carbon neutral when secured through sustainable management should be adopted and that these should recognise the positive contribution made by all forms of forest.

Domestic Log Prices

Brazilian logs, mill yard, domestic	US\$ per m ³
Ipê	196▲
Jatoba	108▲
Massaranduba	113▲
Muiracatiara	115▲
Angelim Vermelho	107▲
Mixed redwood and white woods	92▲

Source: STCP Data Bank

Domestic Sawnwood Prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m ³
Ipê	877▲
Jatoba	438▲
Massaranduba	405▲
Muiracatiara	415▲
Angelim Vermelho	366▲
Mixed red and white	242▲
Eucalyptus (AD)	209▲
Pine (AD)	152▲
Pine (KD)	171▲

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	575▲
4mm WBP	445▲
10mm WBP	394▲
15mm WBP	507▲
4mm MR	377▲
10mm MR	350▲
15mm MR	

Prices do not include taxes

Source: STCP Data Bank

Prices For Other Panel Products

Domestic ex-mill Prices	US\$ per m ³
15mm MDP/Particleboard	251▲
15mm MDF	337▲

Source: STCP Data Bank

Export Sawnwood Prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m ³
Ipê	1436▲
Jatoba	930▲
Massaranduba	742▲
Muiracatiara	710▲
Pine (KD)	195▲

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.

High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

Pine Plywood EU market, FOB	US\$ per m ³
9mm C/CC (WBP)	299▼
12mm C/CC (WBP)	270▼
15mm C/CC (WBP)	267▼
18mm C/CC (WBP)	264▼

Source: STCP Data Bank

Export Prices For Added Value Products

FOB Belem/Paranagua Ports	US\$ per m ³
Decking Boards Ipê	2,567▼
Jatoba	1,497▼

Source: STCP Data Bank

Peru

Imports of composite boards increase

In the first eight months of 2016 Peruvian imports of particleboard/MDF totalled US\$49.2 million, an increase of 6.9% compared to the same period in 2015.

The main importer was Novopan Peru at US\$20.8 million (2015: USD 19.3 million) and a 42% share of total imports of panels. The second main importer was Arauco Peru with imports of US\$10 million (2015: 10.0 million) and a market share of 21% (2015: 22%).

Ecuador remained the largest supplier with a market share in the first eight months of 44% of total composite imports, followed by Chile with 35% and Spain with 12%. Brazil ships composite panels to Peru and in the first eight months had an almost 9% market share.

New forest development programme launched

The Minister of Agriculture and Irrigation (Minagri), Jose Manuel Hernandez, announced that its work will include a programme of aggressive forest development to reforest areas in the highlands of Peru.

The minister said it is unacceptable that the country loses around 150,000 hectares of forest every year through deforestation. He said that Minagri is signing agreements with six national universities which have agricultural activity programmes to launch a 'Young Agro programme'. This will provide an opportunity for students of these universities conduct fieldwork with Minagri and at the same time earn study credits.

Export Sawwood Prices

Peru Sawwood, FOB Callao Port	US\$ per m ³
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

Peru Sawwood, FOB Callao Port (cont.)	US\$ per m ³
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	474-564
Grade 2, Mexican market	426-467
Cumaru 4" thick, 6'-11' length KD	
Central American market	879-925↑
Asian market	919-973
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-13 length Asian market	474-531↑

Domestic Sawwood Prices

Peru sawwood, domestic	US\$ per m ³
Mahogany	-
Virola	209-244
Spanish Cedar	316-368
Marupa (simarouba)	179-196

Export Veneer Prices

Veneer FOB Callao port	US\$ per m ³
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

Peru plywood, FOB Callao (Mexican Market)	US\$ per m ³
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded, 5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

Iquitos mills	US\$ per m ³
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

Peru, Domestic Particleboard	US\$ per m ³
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

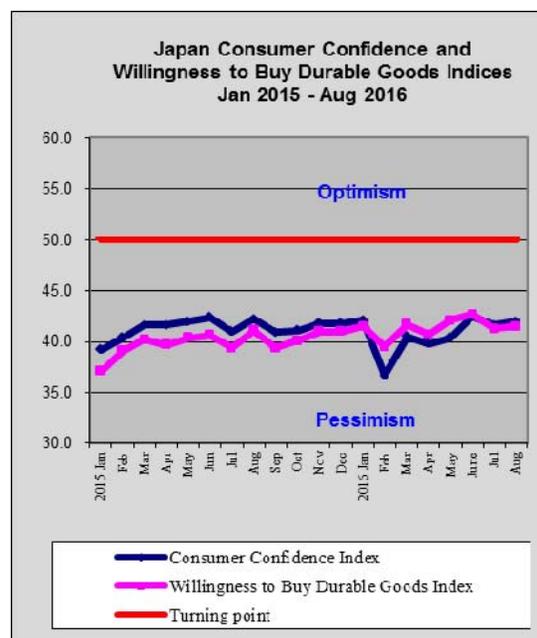
Peru, FOB strips for parquet	US\$ per m ³
Cabreuva/estoraque KD12% S4S, Asian market	1296-138
Cumaru KD, S4S	
Swedish market	962-1095
Asian market	1069-1112
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Japan

Consumer confidence picks up

The August Cabinet Office survey of consumer confidence showed that sentiment strengthened more than expected in August. The overall sentiment index rose, as did the indices for income growth, overall livelihood, willingness to buy durable goods and the employment. All eyes are now on the upcoming BoJ quarterly tankan survey to be released in early October.

A poll of economists suggests overall business sentiment could show an improvement driven by the large manufacturers which have recovered from the drop in production following earthquakes in southern Japan and the growing consensus that Brexit issues are manageable, but the strengthening yen will weigh heavily on sentiment.



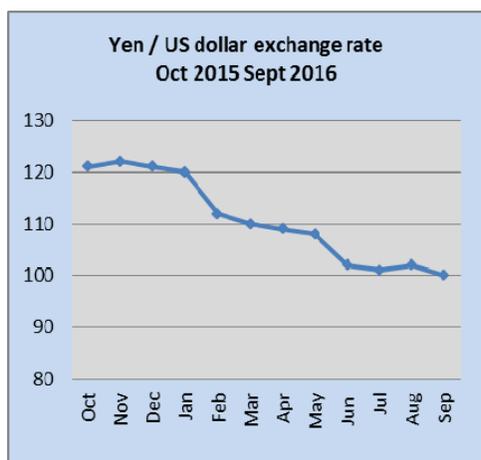
Data source: Cabinet Office, Japan

Holding down the yen becomes increasingly difficult for the BoJ

The BoJ has run out of easy options to keep the yen at optimal levels for the country’s exporters and analysts now say only an interest rate rise in the US will stem the current steady strengthening of the yen.

At the end of September the yen was at just over 100 to the dollar and the late surge in the yen strength came after the BoJ said it intended to adopt a policy that keeps interest rates at current levels for a prolonged period.

The Japanese yen has firmed more than 15% percent against the US dollar this year and at 100 per dollar exporters are facing serious problems.



For the first time in 9 years pace of decline in land prices slow

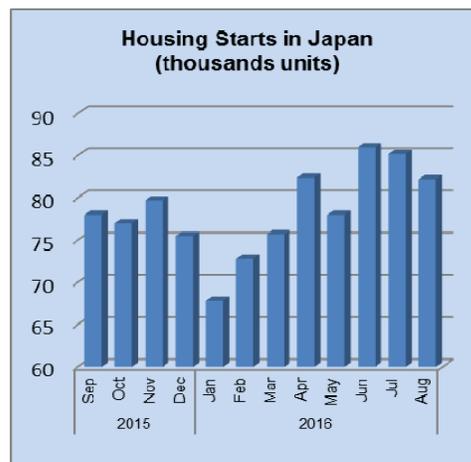
In the first half of this year loans for real estate purchases sky-rocketed to more than Yen 3 trillion which is higher than the peak recorded during Japan’s housing bubble two decades ago. The surge in loans for homes and commercial building is the result of the negative interest rate adopted by the Bank of Japan in February this year.

It is apparent that the robust building sector is being driven by high inflows of money as ‘bricks and mortar’ are seen as a safe bet for investment since commercial bank saving rates have fallen. By way of example, prices for development land in Tokyo’s up market areas have doubled in three years.

This year, and for the first time in 9 years of continual decline, average commercial land prices across Japan leveled off according to the land price survey from the Ministry of Land, Infrastructure, Transport and Tourism.

August housing starts, while continuing to expand above month on month levels in 2015, the pace of increase appears to be slowing. After the strong performance of July starts expectations were for robust growth to continue with analysts expecting at least a 7% year on year expansion in August. However, the figures show that there was only a 2.5% increase compared to August 2015.

Data from the Ministry of Land, Infrastructure, Transport and Tourism says construction companies reported an almost 14% rise in orders in August which comes after the steep decline in July.



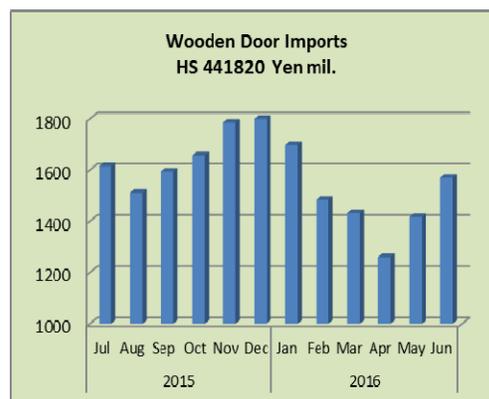
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import round up

Doors

Japan’s first half 2016 wooden door imports were down 2% from the same period in 2015. June imports of wooden doors were flat year on year but up 10% on levels reported for May.

In June, the top three suppliers were China (62%), Philippines (17%) and Indonesia (9%) making up over 80% of all wooden door imports.



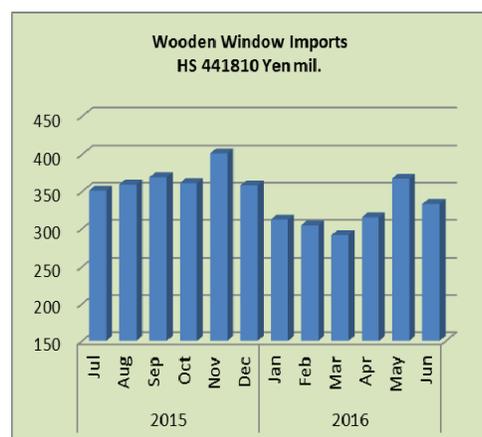
Data source: Ministry of Finance, Japan

Windows

First half 2016 imports of wooden windows into Japan were down 8% year on year. June imports were down by the same amount compared to levels in June last year and compared to May, June imports were down 9%.

In contrast to the other products reported the spread between supply countries is closest with wooden windows.

The top suppliers in June were China (40%), the Philippines (31%) and the US (23%). These three suppliers account for the bulk of wooden window imports.

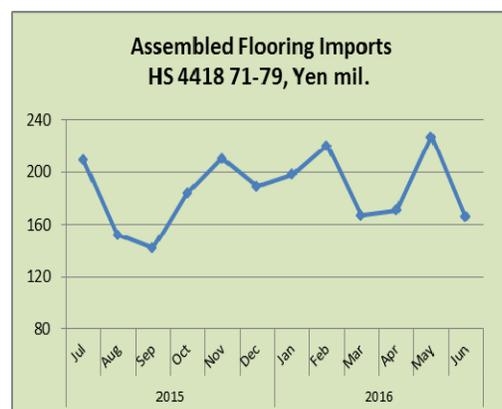


Data source: Ministry of Finance, Japan

Assembled flooring

The figure below shows combined imports of HS 441871-79. In June this year there were no imports of HS4418-71 products. First half imports of assembled flooring were down 5% compared to the same period in 2015 and there was a steep decline in June imports compared to May (27%).

For HS 4418-72 the top suppliers were China, Thailand and Indonesia while for HS4418-79 the top three were Indonesia, Thailand and China.



Data source: Ministry of Finance, Japan

Plywood

Japan's first half 2016 plywood imports were down 6% year on year but June imports were some 8% higher than in June 2015. Compared to a month earlier, the value of June imports were virtually unchanged.

The main suppliers of plywood to Japan are Malaysia, Indonesia and China. Malaysia's first half shipments to Japan were down 11.5% year on year while shipments from Indonesia in the first half of this year jumped 3.5%. First half imports from China fell sharply (-29%).

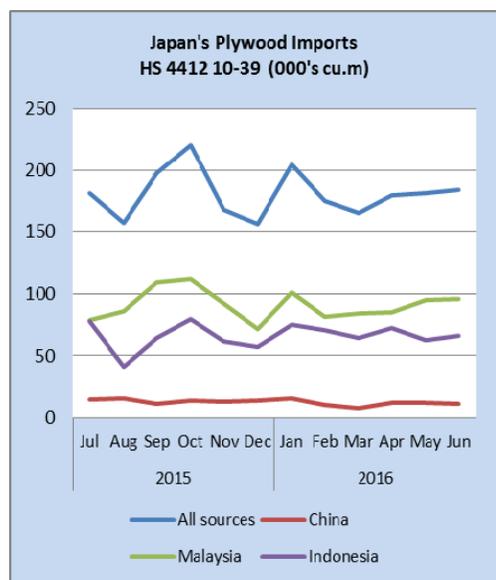
The figure below shows the combined imports of HS 4412 10-39. Very little plywood classified as HS 4412-10 is imported into Japan, the bulk of imports comprise HS4412-31 (68%) of total plywood imports with most coming from Malaysia and Indonesia.

The second significant category of plywood imports is HS 4412-32 which contributes another 30% to total imports.

Main sources of Japan's plywood imports

		000's cu.m		
		China	Malaysia	Indonesia
2014	Jan	31	146	97
	Feb	21	121	70
	Mar	24	125	91
	Apr	27	144	83
	May	26	131	81
	Jun	24	113	84
	Jul	23	109	88
	Aug	16	95	67
	Sep	21	121	74
	Oct	19	92	81
	Nov	21	130	68
	Dec	20	104	67
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75
	Feb	10	81.5	70.8
	Mar	8	84	64
	Apr	12	85	72
	May	12	95	62
	Jun	11.6	95.6	66

Data source: Ministry of Finance, Japan



Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

South Sea (tropical) log and lumber imports down in the first half of the year

Both logs and lumber imports from South Sea countries decreased for the first half of the year. Particularly log import dropped by 19.4% compared to the same period of last year. The reasons are tight control of illegal harvest by the Malaysian government, higher export log prices in limited supply and slump of Japanese hardwood plywood mills.

Total log volume was 92,600 cbms, 19.4% less than the same period of last year. Large drop of Malaysian log export, which is about 80% of total, was the reason. In the past, log export volume from Sarawak, Malaysia increased after April with end of rainy season but the weather this year was unstable then harvest volume allocation was another reason of reduced supply.

The Japanese log importers were unable to purchase sufficient volume to fill up ships after aggressive purchase by India started.

South Sea lumber import for the first half was 250,300 cbms in which lumber was 113,000 cbms and free board was 136,000 cbms. Indonesian mercusii pine harvest is limited from the beginning of the year and some mills, which failed to procure logs, stopped production so the supply was low in January and February. Since then the supply has been continuing in low level.

Log and lumber export for the first half of the year

According to the trade statistics the Ministry of Finance made up, softwood log exported from Kyushu ports for the first half of this year is 254,848 cbms, 6% more than the same period of last year but the value is 9.1% down due to lower export value.

Log exporters have been complaining about poor return as a result of lower export value by strong yen particularly for China market.

Total log export from all Japan is 313,632 cbms, 2.2% less than 2015 and the value is 15.4% less. Compared to all Japan, Kyushu export business is better. There are eight log exporting ports in Kyushu.

Export log prices in Kyushu are now 8,000 yen per cbm delivered loading port, more than 1,000 yen down from last year's prices.

Despite lower export log prices, there have been enough volume for export because log supply for biomass power generation facilities was excessive as generation facilities use a certain amount of imported fuel.

Lumber export was 37,105 cbms, 25.5% more with the value of 1,521 million yen, 2% more. In this, 10,876 cbms were exported from Kyushu, 62.9% more with the value of 328 million yen, 22.7% more so lumber is becoming major export item instead of logs.

Plywood

Market of domestic softwood plywood continues very active movement. Orders from major house builders and precutting plants are booming and plywood mills keep running in full capacity.

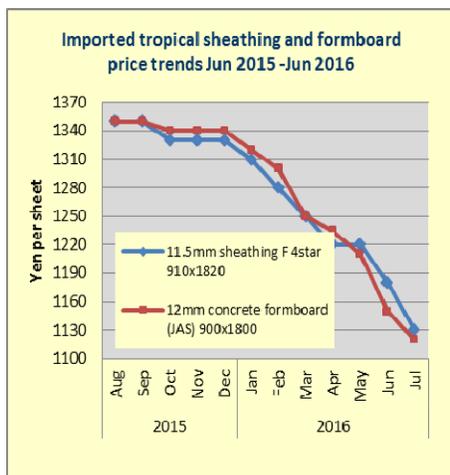
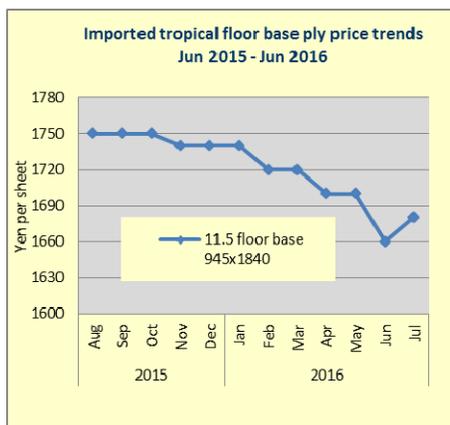
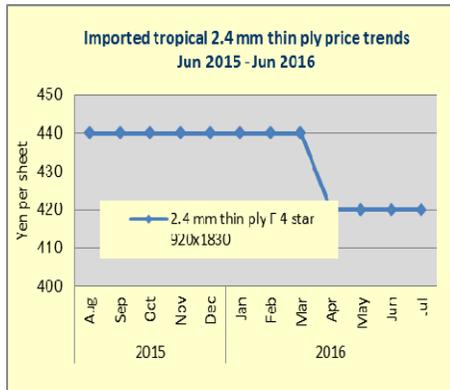
Since the shipments are so busy that plywood mills have no surplus to build up inventory. They ship out as soon as they produces. Thick panels and special size panels are particularly short in supply so that mills keep changing production lines from one to the other.

In July, production of softwood plywood was 246,700 cbms while the shipment keeps high level of 250,000 cbms for two months. Therefore the inventories were 101,800 cbms, 3,000 cbms less than June.

Average monthly production during January and July this year was 239,000 cbms, which is 27,400 cbms more than the same period of last year.

Demand continues active in September. Medium and small precutting plants have ample orders now from local contractors and outsourcing orders from large precutting plants so the demand for plywood will be busy through the end of the year. Orders for tongue and groove panel will take more than a month before delivery.

Movement of imported concrete forming panel was a bit active but the market is on weak side as prospect of further appreciation of the yen is anticipated so that it is hard to wipe out prospect of further reduction of the market prices. The importers and wholesalers carry very limited inventory but the shipment remains depressed.



Daiken started up Indonesian door plant

Daiken Corporation (Osaka) announced that its interior door manufacturing plant in Surabaya, Indonesia started. Daiken Darma Indonesia (DDI), a joint venture company, will operate the plant.

Indonesia has the fourth largest population in the world and its economic growth is energetic so the housing demand is expected to grow fast. Particularly, high and medium income people are interested in high quality and refined design products.

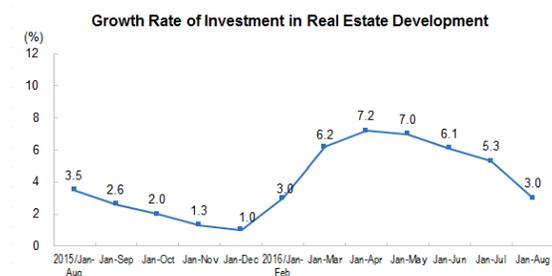
To expand the sales of housing materials, Daiken has been researching the market since 2012 and established a joint venture company, SDI which specializes marketing and installation works of interior materials.

Now with start-up of the door plant, Daiken develops, manufactures, marketing including installation works. Daiken plans to start marketing the products to local Japanese developers and house builders, which are engaged in business in Indonesia first then approach local developers. The target of sales is 180,000 sets by 2020.

China

Slowing pace of investment in real estate

The National Bureau of Statistics of China has released data on real estate developments. Investment in real estate in the first eight months of 2016 increased 5.4% year-on-year of which investment in residential buildings was up by 4.8% and accounted for 67% of all real estate investment.



Source: National Bureau of statistics, China

However, in the first eight months the area of land purchased by real estate developers was down 8.5% year-on-year and the pace of decline in purchases is accelerating.

Demand for new homes seems unchecked with the average price for a new home in 70 of the country's main cities soaring over 9% in August this year compared to August last year. This marks the eleventh monthly rise in average prices.

According to the China Housing Index prepared by the National Bureau of Statistics in Tier 1 cities such as Beijing prices jumped over 20% while in Shanghai August prices were up over 30% year on year.

2015 wood product output

China's output of domestic commercial logs in 2015 fell 13% to 72 million cubic metres, sawnwood production from domestic and imported logs rose 9% to 74.3 million cubic metres and wood chip output remained the same as in 2014 at 42.86 million cubic metres.

Wood based panel output in 2015 expanded 5% to 286.8 million cubic metres of which output of plywood, fiberboard and particleboard were 165.46 million cubic metres, 66.19 million cubic metres and 20.3 million cubic metres respectively.

Output of other wood-based panels totalled 34.85 million cubic metres of which 60% was blockboard.

Wooden flooring output in 2015 was at the same level as in 2014 at 770 million square metres. Of the total, output of solid flooring was 130 million cubic metres, solid composite flooring output was 240 million cubic metres, laminate flooring output amounted to 290 million square metres and bamboo flooring reached 100 million square metres.

First half 2016 output up year on year

According to the State Forestry Administration, the performance of China's forest industry was good in the first half of this year with the total value of production rising 8% to RMB2.58 trillion.

Of the total, the value of the primary sector output grew 8%, secondary processors saw a 3% rise and the output of the tertiary sector expanded a massive 25% compared to the same period in 2015.

Because of logging bans in natural forests first half 2016 output of domestic commercial logs fell just over 2% to 27.66 million cubic metres while output of bamboo fell 1.8% to 660 million pieces. In contrast output of wood-based panel rose 18% but output of wooden flooring fell 11%.

Huge demand for wooden buildings in China

The demand for wood frame buildings in China is huge. It is estimated that the market value for wood frame buildings will be in the tens of billions of US dollars by 2030.

Currently around 2 billion square metres of new buildings are constructed annually in China of which only 20% are considered 'green building'. According to the national plan, the proportion of 'green buildings' should increase to 50% by 2020.

Bonded furniture on sale in Shanghai

It has been reported that the first national bonded zone for furniture had become operational in the Shanghai Yuexing Furnishing Mall on Macao Road, Putuo district. Many foreign furniture brands are on sale for the first time and are available duty free.

This is the first time consumers can purchase duty free imported furniture directly.

The National Customs Department has offices in the bonded zone to supervise and guarantee the quality, traceable source and the responsibility for all products.

For more see: <http://www.yuexing.cn/yxjjt.shtml>

Surge in log imports

According to the Zhejiang Inspection and Quarantine Bureau, in the first eight months of 2016, log imports through Huzhou port were more than 143,000 square metres valued at US\$64.47 million, up 23% in volume and 25% in value over the same period of 2015.

However, the inspection and quarantine departments faced considerable great challenges as over 60 exotic pests were intercepted at Huzhou port, up about 50% over the same period of 2015.

The main reason for the increase is the great demand for logs from flooring enterprises in Nanxun town of Huzhou city in Zhejiang province. There are more than 400 wood flooring manufacturing enterprises with a capacity of about 100 million square metres which is around 35% of the national total flooring capacity.

In related news the Jiangsu Entry-Exit Inspection and Quarantine Bureau has reported that as of the end of August this year log imports through Changshu port exceeded 2 million cubic metres valued at US\$246 million. Log imports through Changshu port soared 78% to 361,300 cubic metres in August 2016 alone.

Radiata pine from New Zealand was dominant log species. In addition, imported logs comprised douglas fir, larch, spruce and cedar mainly from Australia, Russia, Japan and the US.

From January to August 2016 log imports from New Zealand rose 7% to 1.66 million cubic metres. However, during the same period log imports from Russia fell about 40% to 88,000 cubic metres.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4200
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	-
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2200-3000
Teak	dia. 30-60 cm	8500-11500
	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
	yuan per tonne	
Cocobolo	All grades	27000-40000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7000
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-18000
Sapelli	Grade A	7000-7500
Okoume	Grade A	4300-4700
Padauk	Grade A	16500-18000
Mahogany	Grade A	7000-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	8600-9500
Lauan	special grade	4300-4500
Kapur	special grade	5000-6000
Teak	special grade	14000-20000

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	Yuan/tonne
Sapelli	3000-4000
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2400-2800
Dibetou	2200-2500
Afromosia	5500-6500
Wenge	4700-5500
Zingana	3400-4800
Acajou de afica	3000-3500
Ovengkol	3850-4300
Paorosa	5900-6600
Merbau	3500-5800
Lauan	1800-2020
Kapur	2020-2500
Keruing	1700-2200
Geronggang	1600
kauri	1700-1850
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-11000
Black walnut	FAS 2 inch	15000-18000
Maple	FAS	8200-10000
White oak	FAS	7500-13000
Red oak	FAS	6500-8300
Finnish pine	Grade a	2600-2900

Sawnwood		yuan/cu.m
Maple	Grade A	9000-9500
Beech	Special Grade	5200
Ash	no knot	5700-6300
Basswood	no knot	2800-3300
Oak	no knot	5300-5700
Scots pine	no knot	2100

Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	13-18
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

Europe

EU recovery still slow and fragile

Eight years on from the financial crises, the recovery in the EU timber market remains slow and fragile. There is Europe-wide economic growth and key market sectors such as construction, furniture, and flooring are expanding, but the rate of increase rarely exceeds 2% per year in any individual sector or European country and some are still flat-lining.

Deflation remains a constant threat despite a Euro 60 billion-a-month programme of quantitative easing implemented by the European Central Bank – recently extended at least until March 2017.

Slow growth, low interest rates and quantitative easing has led to persistent weakness in the value of the euro and other European currencies on international exchange markets. Political and economic problems mean that the Russian rouble and other Eastern European currencies are even weaker than the Euro.

This, in turn, is undermining demand for imports from other regions, including the tropics, into the EU and boosting the relative competitiveness of European manufacturers.

The UK's decision to exit the EU, taken in a referendum on 23 June, is another concern, both for the direct effects on the UK economy and the fallout for wider political and economic stability in Europe.

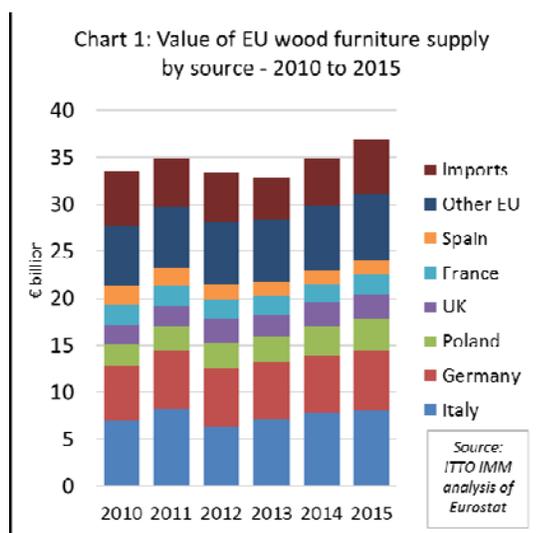
Overall the outlook of tropical suppliers of wood products into the EU is not particularly encouraging.

EU furniture production increases 4.4% in 2015

Eurostat has just published the PRODCOM industrial production data for 2015 which indicates modest growth last year in the EU wood furniture sector.

Domestic production of wood furniture (excluding kitchen furniture) increased 4.4% to Euro31.15 billion in 2015. Production increased in all the main EU manufacturing countries including Italy (+4% to Euro8.06 billion), Germany (+4% to Euro6.35 billion), Poland (+9% to Euro3.42 billion), the UK (+1% to Euro2.59 billion), France (+3% to Euro2.05 billion), Spain (+7% to Euro1.53 billion), Sweden (+2% to Euro1.02 billion), Lithuania (+3% to Euro740 million), Romania (+4% to Euro690 million), and Portugal (+2% to Euro640 million).

Imports of wood furniture from outside the EU were worth Euro5.73 billion in 2015, 13% more than in 2014, but still only 16% of furniture supply in the EU. (Chart 1).

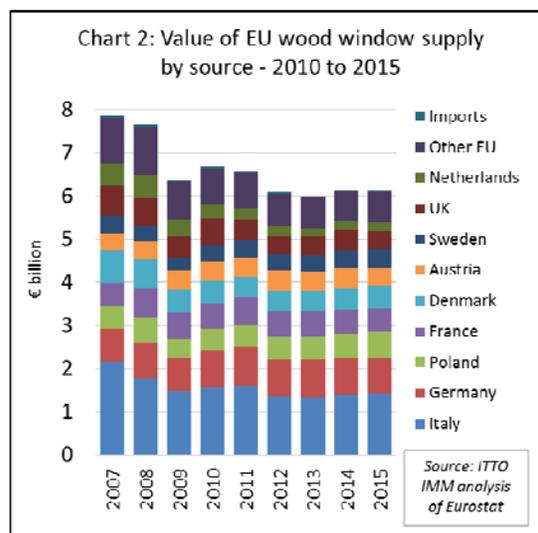


Sluggish growth in European window production

The total value of wood windows supplied to the EU increased only 1.2% to Euro6.11 billion in 2015. There was rising production in Italy (+2% to Euro1.42 billion), Poland (+8% to Euro620 million), Denmark (+9% to Euro550 million) and the Netherlands (+2% to Euro210 million).

Imports of wood windows from outside the EU also increased by 41% to Euro30 million but still represented a very small share of overall supply.

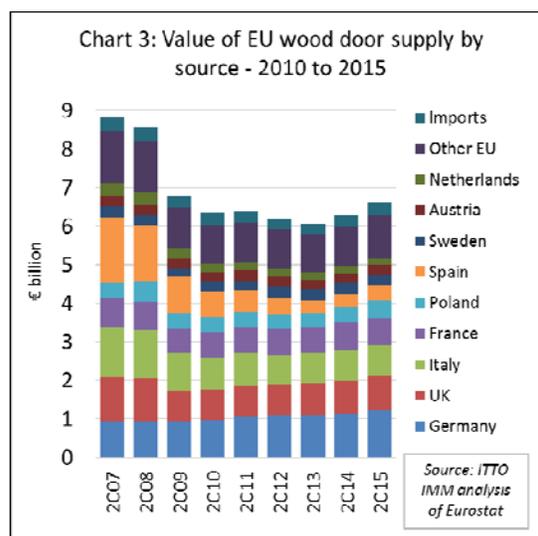
These gains were offset by falling production in Germany (-4% to Euro810 million, France (-5% to Euro530 million), Austria (-9% to Euro410 million) and the UK (-13% to Euro410 million). Wood window production in Sweden remained stable at Euro440 million in 2015. (Chart 2).



More robust growth in the EU wood door sector

Growth in the EU wood door sector was more robust than in the window sector in 2015. The total value of wood doors supplied to the EU increased 7% to Euro6.62 billion in 2015. There was rising production in Germany (+6% to Euro1.21 billion), UK (+7% to Euro930 million), Poland (+11% to Euro440 million), Spain (+19% to Euro420 million) and the Netherlands (+5% to Euro180 million).

Imports of wood doors from outside the EU increased by 17% to Euro33 million. These gains were offset by falling production in France (-2% to Euro690 million, Sweden (-1% to Euro260 million), and Austria (-3% to Euro250 million). Wood door production in Italy remained stable at Euro800 million in 2015. (Chart 3).



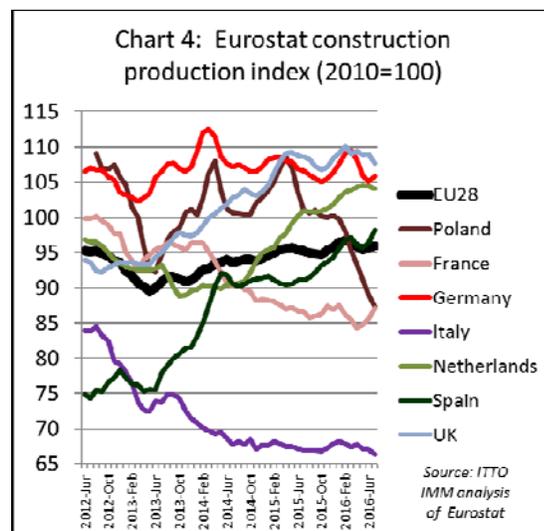
EU construction dips again in 2016

Rising furniture and joinery production in the EU during 2015 mirrors the slow recovery in construction activity during the year.

The Eurostat Construction Production Index for EU member states shows that construction activity rose

sharply at the end of last year, with notable upturns in Germany, the UK, Spain, the Netherlands and France.

However, activity across the EU dipped again this year. Activity in Poland has slowed very dramatically during 2016. The total value of EU construction in July 2016 was still 5% lower than in 2010 and 20% down on 2008. The Italian market remains particularly weak (Chart 4).



FLEGT licenses fine, but success in the market depends on quality, shipment and price

Earlier this month, ITTO reported that Indonesia is due to issue the first FLEGT licenses in November and observed that the Indonesian government and industry are looking to these licenses to deliver significant market advantages (ITTO TTM Report 1–15 September 2016).

There are reasons for optimism, FLEGT Licensing gives a green lane through the EUTR due diligence procedures, the economic advantages of developing a single unified system for all exporters, and the greater confidence such a system offers to both buyers and investors.

These are all benefits which will give Indonesian wood products a competitive edge in the EU market in the months ahead. However, prospects for Indonesian timber, and indeed any timber supplier into the EU market, are not only dependent on their ability to provide legality licenses.

The first question for international buyers, both in the EU and elsewhere, is not whether or not they have a FLEGT license or other assurance of legality or sustainability, but rather are they able to offer products which are good quality, on time and at a reasonable price.

Various indices of international competitiveness suggest that Indonesian exporters face significant challenges on these wider market issues. For example, in 2015, the World Bank ranked Indonesia at 109th on the “Ease of Doing Business” (EDB), significantly lower than Indonesia’s direct competitors in the timber sector such as Malaysia (18th), Thailand (49th), China (84th) and Vietnam (90th).

The UNCTAD Line Shipping Connectivity Index shows that the logistics of shipping to world markets are significantly more challenging in Indonesia than in other South East Asian countries.

In practice these indices imply that Indonesian products tend to be more expensive and to be subject to longer delivery times than competing products from elsewhere. At a High Level Market Dialogue held in Jakarta in November 2015, the Chairman of the Indonesian Furniture and Craft Association AMKRI commented that some furniture manufacturers are moving away from Indonesia to Vietnam because of ‘red tape’ and cost. Prices for equivalent furniture manufactured in Indonesia may be 15% to 20% higher than in Vietnam.

The wider macro-economic background in Europe also presents challenges to Indonesian wood products. Indonesian exporters have to contend with the relative weakness of the euro, slow pace of recovery from the financial crises, the dominant position of domestic and Chinese manufacturers, and the strong fashion for temperate woods and wider market prejudices against tropical timbers.

But it would be wrong to over emphasise the downside. Growth in the EU may be slow, but it is significant given the sheer size and wealth of the European economy. Despite barriers to Indonesia’s competitiveness in the EU, Indonesia is now the largest single supplier of tropical timber products into the EU by a significant margin.

In the 12 months to end June 2016, the EU imported Euro1.01 billion of timber products from Indonesia, including Euro490 million of wood products (HS 44), Euro310 million of wood furniture (HS 94) and Euro213 million of paper (HS 48).

This compares to Euro799 million from Vietnam (second largest supplier - nearly all furniture) and Euro533 million from Malaysia. Indonesia accounted for nearly a quarter of all EU timber product imports from tropical countries in the twelve month period.

Indonesia’s competitive position in various sectors

In practice the competitive position of Indonesian timber products in the EU varies widely between sectors. In some sectors for niche tropical wood products, Indonesia is already the leading supplier and FLEGT licenses will provide an opportunity to extend this lead.

Indonesia is the largest external supplier of “continuously shaped” wood (HS code 4409) which includes both decking products and interior decorative products like moulded skirting and beading.

EU imports of this commodity from Indonesia increased 3% from 88 000 cu.m in 2014 to 91000 cu.m in 2015 and Indonesia’s share of total imports (tropical and temperate) in both years was around 26%.

Indonesia is also the largest tropical supplier of wood flooring to the EU. Although still low by historical standards, EU imports from Indonesia increased 4% to 1.59 million sq.m in 2015.

This is only a very small share of the overall EU market, which consumes over 100 million sq.m of wood flooring every year and which imported 29 million sq.m in 2015.

However, the FLEGT license should help rebuild the niche market for tropical wood floors, which still offer strong benefits - including a unique look and good durability – but have gone out of fashion in the EU in recent years.

It's notable that China, by far the EU's largest single external supplier of wood floors, suffered a set-back in the EU market last year, with EU imports of Chinese wood flooring falling 7.4% to 17.5 million sq.m, the lowest level since 2005.

Whether this might signal new opportunities for competing external suppliers like Indonesia, or is a sign of consumers turning more to domestic products, is hard to say at this stage.

Plywood is a market sector where FLEGT licenses might play an important role to boost demand for Indonesian product. EU imports of plywood from all sources increased sharply between 2013 and 2015, from 3.38 million cu.m to 3.92 million cu.m, a level not seen since before the financial crises.

However, imports from Indonesia and other tropical countries have remained stubbornly low in recent years. After increasing 3% to 308,000 cu.m in 2014, EU imports of plywood from tropical countries fell back 6% to 291,000 cu. m in 2015.

The share of tropical countries in EU plywood imports fell from 9.2% in 2013 to only 7.8% in 2015, the lowest level for at least the last 20 years, and probably much longer. Imports from Indonesia fell 5% from 117,000 m3 in 2014 to 112,000 m3 in 2015.

However, Indonesia became the largest single tropical supplier of plywood to the EU last year as imports from Malaysia fell 11% from 121,000 m3 in 2014 to 107,000 m3 in 2015.

In recent years, tropical hardwood faced plywood has lost share in the EU mainly to Chinese plywood faced with temperate hardwood (including poplar, eucalyptus and birch), and to Russian birch plywood.

The plywood sector has been a strong focus for EUTR enforcement activities to date and, given difficulties of establishing traceability and relatively high illegality risk of some competing suppliers, Indonesia FLEGT license should significantly boost competitiveness in this sector.

Uphill struggle to increase share of EU furniture market

Indonesia faces more of an uphill struggle to increase market share in the furniture sector. This is particularly critical given the sheer size of the market and the potential it offers to add value to the wood resource.

However, it's also a sector where the technical advantages of tropical wood are less relevant – at least in the interior furniture market which dominates sales – than wider competitiveness issues such as labour costs, red tape, logistics, processing efficiency, innovation, and marketing.

Indonesia faces considerable competition in this sector, not least from the EU's domestic furniture manufacturers which are hugely dominant, accounting for 84% of all furniture supplied within the EU in 2015.

One clear sign of the rising global competitiveness of EU's domestic manufacturers, boosted by the weak euro, is the region's rising trade surplus in wood furniture. While EU countries imported wood furniture worth Euro5.78 billion from outside the EU in 2015, EU exports of wood furniture rose to Euro8.73 billion in 2015, up only 3.5% from 2014 but 51% more than in 2009.

EU imports of Indonesian wood furniture increased by 7% to Euro316 million in 2015, which is encouraging but less dramatic than from other countries. EU imports of wood furniture from Vietnam increased 21.6% to Euro725 million in 2015. This follows 19% growth the previous year and is a clear demonstration of Vietnam's rising competitiveness in global furniture manufacturing.

Despite Vietnam's rise, more than half of all EU wood furniture imports, Euro3.15 billion, came from China in 2015, with deliveries rising 12%.

In 2015, EU imports also increased rapidly from Malaysia (+12% to Euro191 million), Turkey (+21% to Euro183 million) and India (+23% to Euro162 million).

Mixed prospects for FLEGT licensed timber products

In short, there are reasons to believe that FLEGT licensing will help improve competitiveness and could provide a fairly immediate boost to trade in those sectors where Indonesia has already established a strong market position and where EUTR regulatory activity has been focused – such as decking, plywood and wood flooring.

However, significant gains in market share over the long term, particularly in high value sectors like furniture, will only be achieved if FLEGT licensing is combined with policies to improve the international competitiveness of Indonesian wood manufacturers across a wider range of issues.

The good news is that the FLEGT process has some potential to enhance this process through the role it plays to increase industry co-operation, improve dialogue and information exchange with customers and suppliers, raise the overall image of Indonesian products and potentially

encourage investment by reducing actual and perceived business risk.

Indonesian supply of wood products to the EU must also be set within the context of the wider market opportunities available to Indonesian manufacturers. The influential “Global Construction 2030” report by Oxford Economics published in 2015 forecast that Indonesia will rise to become the world’s fourth largest construction market by 2030.

The value of Indonesian construction is predicted to rise from around US\$250 billion in 2015 to nearly US\$700 billion in only 15 years, moving up from its current position as the 11th largest market to overtake Japan.

The same report suggests that European construction will also grow, but only slowly from around US\$1,800 billion in 2015 to US\$2,250 billion in 2030, little more than the total value of the European market in 2007 before the crash (US\$2200 billion).

Therefore, the key challenge, and opportunity, for the SVLK system on which FLEGT licensing is based may ultimately lie in the role it plays to promote efficient delivery of legal and sustainable timber products into the domestic market and to promote new investment in forest, technical and human resources to supply that market.

North America

China shipped more hardwood plywood in July

Hardwood plywood imports increased 7% in July month on month to 299,602 cu.m. However, year-to-July imports remain lower than at the same time in 2015. The value of plywood imports in July increased 10% from the previous month to US\$171 million.

Plywood shipments from China accounted for the majority of imports and the overall growth in imports. July imports from China were 204,335 cu.m. worth US\$115.3 million. However, year-to-July import volumes from China were slightly below 2015 levels.

Hardwood plywood imports from Indonesia fell 20% in July as did imports from all other suppliers except China.

Significant growth in tropical hardwood veneer imports

Tropical hardwood veneer imports are significantly up this year from 2015. Imports were worth US\$2.8 million in July, up 81% on July 2015.

While the majority of imports come from Europe, no single supplier dominates the market. Based on year-to-July imports Italy and China were the largest suppliers of tropical veneer in 2016 followed by Ghana, Cote d’Ivoire, India and Cameroon.

In July, Italy shipped just under US\$1 million to the US market while China supplied US\$0.4 million worth of tropical veneer.

Mouldings imports lower than in 2015

Imports of hardwood mouldings were worth US\$15.8 million in July, up 9%. Year-to-date imports were 3% lower than in July 2015.

Imports from Brazil continued to decline with July imports falling to US\$2.8 million, down 4% from June.

Moulding imports from Malaysia were also down in July from the previous month, but the year-to-July import value increased 10% from the same time last year.

China’s hardwood moulding shipments to the US increased in July to US\$5.4 million. Year-to-date imports from China were down 11% from July 2015.

Vietnam increases assembled flooring shipments to the US

US hardwood flooring imports were slightly up in July at US\$4.3 million, while assembled flooring imports fell to US\$15.5 million. July 2016 imports of assembled flooring panels expanded 11% from July 2015 but hardwood flooring imports were lower than at the same time last year.

Hardwood flooring imports from Indonesia declined in July, while imports of the same product from China and Malaysia were up. July imports from China were almost one third higher than in July 2015.

For assembled flooring panels, imports from China and, to a lesser extent, Canada declined from June, but both countries remain the leading sources of US imports.

Indonesia shipped US\$743,332 worth of assembled flooring in July, up 50% from June. Assembled flooring imports from Thailand continued growing (+22% month-over-month). Vietnam has become a major supplier as well in 2016. In July Vietnam exported US\$456,689 worth of assembled flooring panels to the US.

Wooden furniture imports up 3% year-to-date

At US\$1.42 billion wooden furniture imports were slightly down in July (-1%) but year-to-July imports increased 3%. Furniture imports from China were worth US\$679.6 million in July, down 2% from June.

Vietnam’s shipments of furniture to the US were unchanged at US\$261.8 million. Furniture imports from Mexico, Malaysia, Indonesia and India declined in July.

Wooden office furniture imports grew in July, while imports of bedroom, upholstered, kitchen and other furniture declined.

Furniture market overall positive

New furniture orders increased 5% in June from the same time last year, according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors. About one half of the survey participants reported order gains, while others experienced significant declines in orders.

Upholstery orders were more positive according to manufacturers and distributors. Year-to-date orders were only slightly higher than in June 2015.

Furniture sales were up 2% in June from June 2015. However, year-to-July shipments increased by less than 1% from last year.

Inventory levels at distributors and manufacturers increased 3% from June 2015. Inventory growth slowed to match business conditions, declining from May when a 6% increase was reported. Retail sales of furniture and home furnishings increased 4% in July versus July last year, according to the US Department of Commerce.

Housing supply lags demand

US Housing starts fell 5.8% in August to a seasonally adjusted annual rate of 1.14 million units, according to data from the US Department of Housing and Urban Development and the Commerce Department. Construction of both single-family and multi-family housing declined in August.

The National Home Builders Association describes the August starts as a one-month blip in the gradual recovery of the housing market. Compared to August 2015 housing starts are up 9%.

Single-family home builders were optimistic about market conditions in September, according to the National Home Builder Association, despite the latest housing starts figures. The inventory of new and existing homes is still tight. Low interest rates support demand.

Single-family home construction is expected to strengthen through to 2017. Single-family houses consume approximately three times as much wood as multi-family housing and more high-value wood products.

Existing home sales lost momentum this summer because of low inventories, according to the National Association of Realtors. Only the western region had higher home sales. Despite low mortgage rates many Americans are not able to afford to purchase homes because of a lack of adequate supply and rising home prices.

US manufacturing contracted in August

GDP in the US increased at an annual rate of 1.1% in the second quarter of 2016, according to the second estimate released by the Bureau of Economic Analysis. Imports increased in the second quarter, while investment in residential and non-residential buildings declined.

The unemployment rate remained at 4.9% in August, according to the US Bureau of Labor Statistics.

The manufacturing sector contracted in August for the first time since February of this year, according to the Institute of Supply Management.

Furniture and related products manufacturing was among the 11 (out of a total of 18) industries that reported lower economic activity in August. Wood product manufacturing was unchanged from July.

Consumers optimistic about personal finances

According to the Surveys of Consumers University of Michigan, consumer confidence was largely unchanged in September from August and July.

Consumers expect income gains in the coming year, but the main reason for their optimistic perception of personal finances were expectations of low inflation both short and long term.

Funding for commercialization of cellulosic nanomaterial

A new round of funding was announced in September for the commercialisation of cellulosic nanomaterial. The US Department of Agriculture Forest Service and the US Endowment for Forestry and Communities will provide approximately US\$2.25 million for 7 to 8 projects.

Projects are expected to be funded in public private partnership with companies.

The following topics are of particular interest: environmental health and safety of cellulosic nanomaterials, improving the interface between cellulosic particles and composite resins, novel composites with nanomaterials and advances in paper and packaging.

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

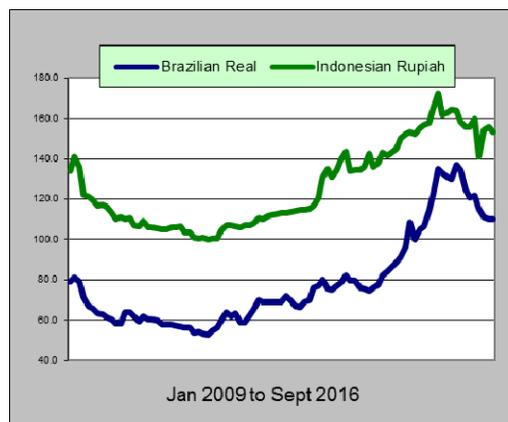
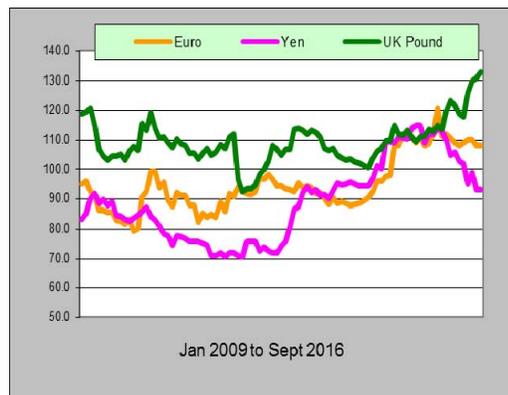
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 26 September 2016

Brazil	Real	3.2421
CFA countries	CFA Franc	584.63
China	Yuan	6.6696
EU	Euro	0.8885
India	Rupee	66.6126
Indonesia	Rupiah	13039
Japan	Yen	100.37
Malaysia	Ringgit	4.1371
Peru	New Sol	3.359
UK	Pound	0.7708
South Korea	Won	1108.91

Exchange rate indices (Dec 2003=100)



Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Water and boil proof
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index October 2015 – September 2016

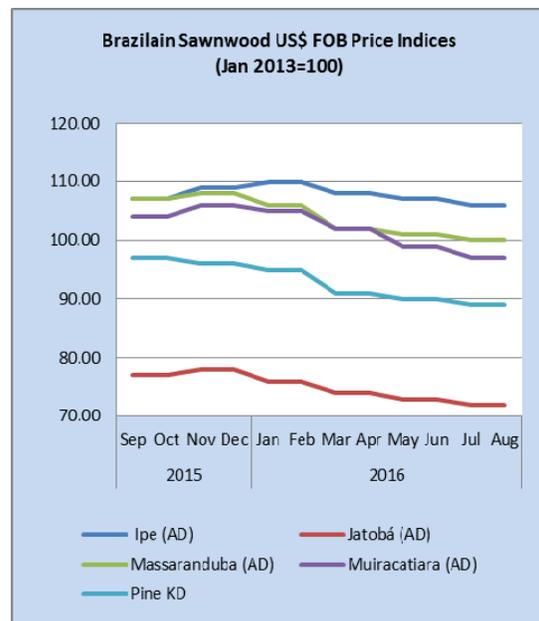
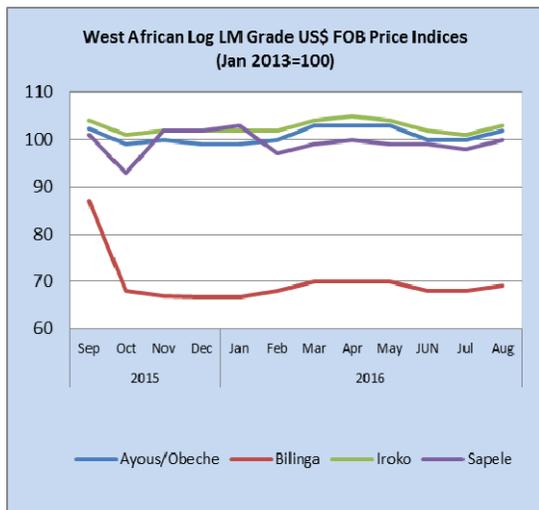
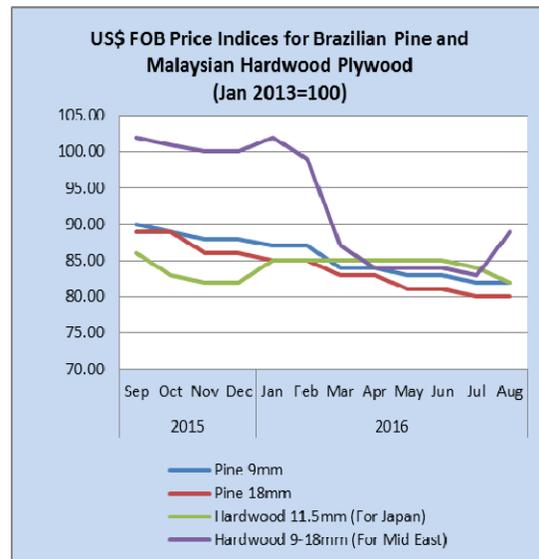
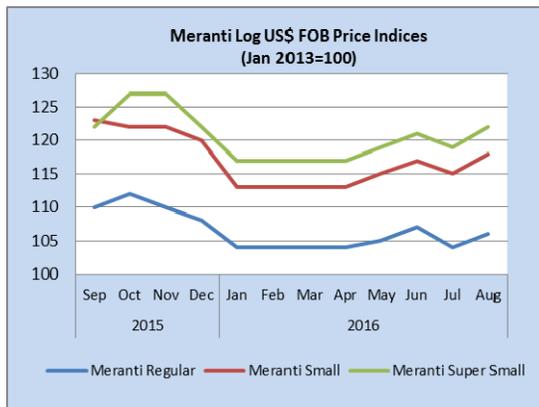


Data source: Open Financial Data Project

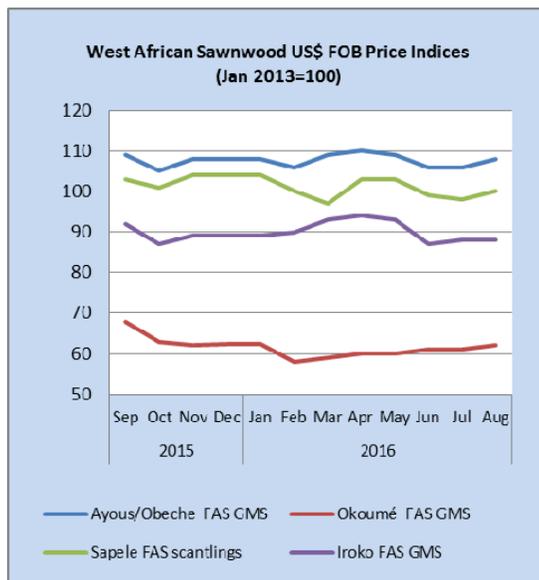
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.

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